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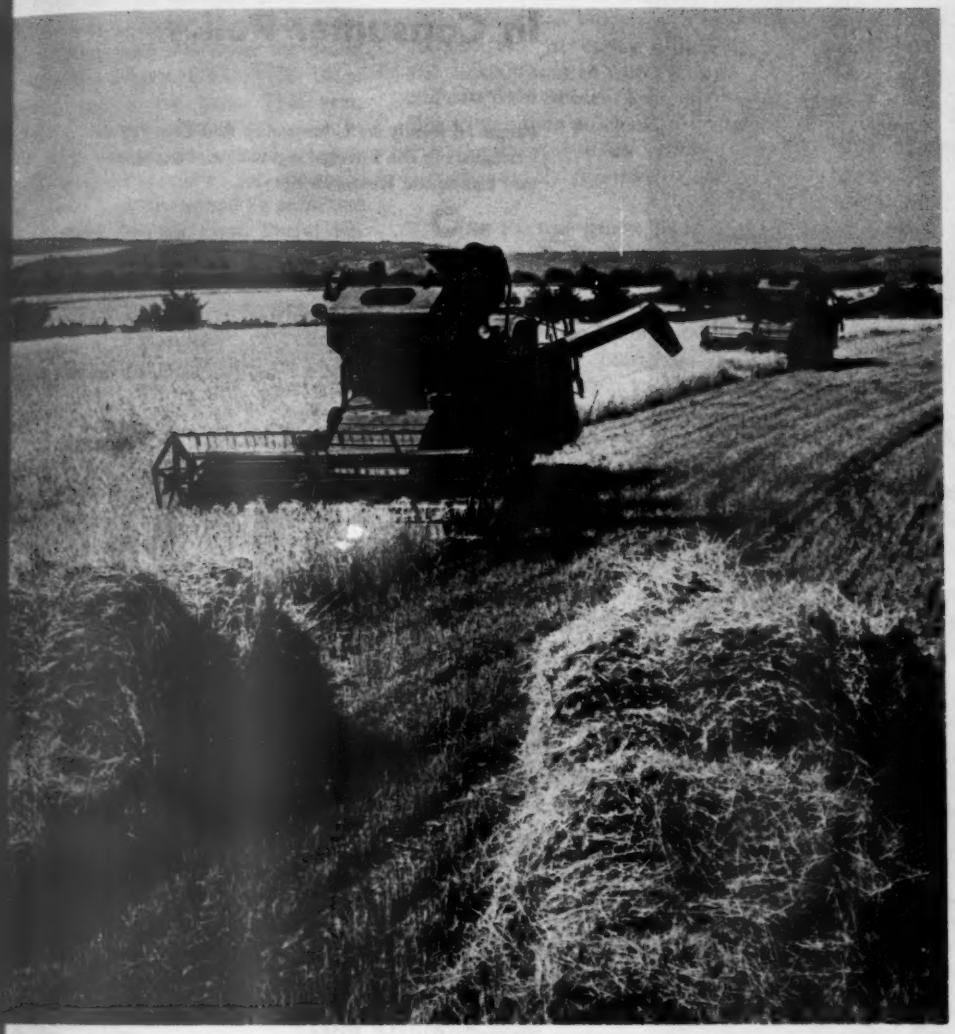

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Soviet Grain Import Policy

Brazil's Cotton Output Nears Record

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This week's cover:

Grain harvesting on a collective farm in the Moldavian SSR. Bad weather and the extraordinary volume of Soviet grain purchases this year point to grain crops insufficient to meet growing consumer demands and expectations.

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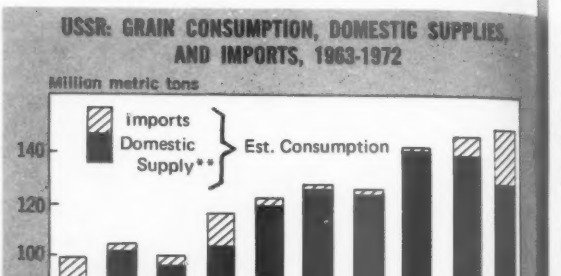
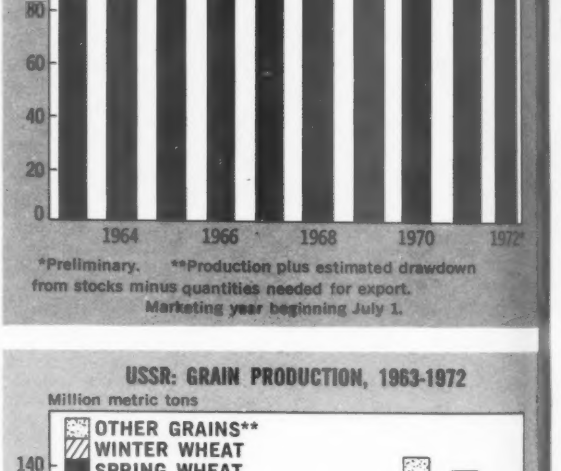
Soviet Grain Imports May Signal Shift In Consumer Policy

Prepared jointly by Commodity and Country specialists in the Foreign Agricultural Service and Economic Research Service.





THE SOVIET UNION'S recent purchases of grain appear to signify a major shift in that country's policy toward its consumers. In previous crop shortfall situations, rather than import the full amount needed to cover the deficit in domestic supply, USSR grain usage was apparently cut back. This year, however, such a cutback may not be necessary. Instead, the recent uptrend in grain usage—especially for livestock feed—will in all likelihood be permitted to continue through more liberal import buying.

This year, USSR import purchases could exceed the grain crop decline. This suggests that a higher priority than ever before is being placed upon meeting consumer needs and expectations and upon the achievement of targets for expanded output of livestock products. These targets call for meat production —which rose from 10.7 million to 12.3 million tons during 1966-70—to reach 16 million tons by 1975. Milk production—which rose from 76.0 million tons in 1966 to 82.9 million tons in 1970—is to reach a planned 100 million tons in 1975.

In previous years, production declines generally meant smaller supplies and less choice in food stores, presumably because it was more important to use foreign exchange for purposes other than food imports. But now, with Soviet living standards at a new high, people have been led to expect a more dependable supply of better foods, and it also appears that the Soviet Government is determined that the Russian people are not to be disappointed.

Recent purchases. As of the end of August 1972, the USSR had contracted for the purchase of roughly 950 million to 1 billion bushels of grain, all for delivery during the 1972-73 season. Some of this grain, perhaps 180 million bushels, will probably be for delivery to destinations other than the USSR, such as Eastern Europe. Purchases in 1972 began with an agreement last February with Canada to take about 130 million bushels of Canadian wheat. Further purchasing resumed in early July, when a sizable quantity of U.S. grain was contracted and the size of the February arrangement for Canadian wheat was increased to about 184 million bushels.

In subsequent weeks, Soviet purchasing representatives again visited the United States and also visited France, Australia, and other supplying countries. By the end of August, arrangements were made for the purchase of 37 million bushels of wheat from Australia, 18 million bushels of wheat and 500,000 tons of barley from France, and 400,000 tons of wheat, barley, and and oats from Sweden. From the United States total grain purchases had reached a level estimated at up to 650 million bushels, roughly two-thirds wheat.

ONE FACTOR WHICH could become important in the final volume of Soviet grain imports is that of capacity for shipping and unloading of the wheat being moved to the USSR. Even though Soviet ports have previously handled large volumes of grain and are thought to be capable of taking in well over 2 million tons of grain per month, recent statements by official Soviet news sources indicate that facilities for internal distribution, including the movement of grain away from port areas, could become a matter for concern. In addition, during past periods of heavy Soviet grain imports, volumes entering Soviet ports have shown a seasonal decline during winter months, due to limitations upon capacity which may arise if severe cold conditions are encountered.

Estimating USSR grain production. The Soviet Union does not have a system for regular issuance of grain crop estimates during the course of the growing season, such as exists in other major grain producing countries of the world. Government estimates of the crop outturn are not released to the public until after the end of the harvest season. Even the estimates that are made public are expressed in terms of "bunker" or "gross" weight, which include a sizable margin of excess moisture and foreign material, rendering the estimates less meaningful than those of other countries for purposes of relating them to consumption requirements, trade volume, and stock levels. To convert the published Soviet grain outturn figures to a "storable or net grain" basis such as is generally used in other countries, a reduction of 15-20 percent is normally required.

Meanwhile, it is difficult to develop a reliable informal judgment concerning the size of the developing crop, simply because of the wide geographic area covered by the USSR's producing regions. This is particularly important in areas of the eastern USSR, which include the spring wheat growing area of the "New Lands" district.

This past summer, there has been even more uncertainty than usual about the size of the Soviet grain crop. First, the severe 1971-72 winter, with both dryness and extreme cold, had already raised the possibility of a short crop, but Soviet authorities took major steps

Soviet Food and Feed Situation Is Serious

Reports from a number of sources indicate the continued seriousness of the food and feed situation in the Soviet Union.

Drought in certain areas is being called the worst since the 1930's; the slaughter of cattle is said to be taxing slaughterhouse facilities in some districts.

Soviet news and weather reports continue to indicate that winter wheat planting has been running substantially behind schedule and that the harvesting of spring wheat has been delayed by adverse conditions. As of September 25, 10 percent of the country's small grain remained to be cut and another 8 percent was still in windrows waiting to be threshed. In 1971—a very good year—only 5 percent was still uncut on the same date, and only about 1 percent was still in windrows.

Further food purchases may be under discussion. Poland has reportedly agreed to ship a sizable tonnage of potatoes, especially for the Moscow area—a highly unusual step, if the reports are true.

Arrangements are reported to be in process, though not yet finalized, whereby as much as 1 million tons of wheat, rye, and barley may be sold to the USSR by Germany. In addition, it is believed that Romania has agreed to supply as much as 500,000 tons of wheat. These amounts, totaling 1.5 million tons, are in addition to the estimated 25-27 million tons of grain previously reported as having been arranged for import by the USSR.

to offset the winter damage by calling for increased plantings of spring grain. Spring arrived later than usual in some areas, but weather conditions were reported generally favorable for spring seeding. Information generally available as of late June still indicated the possibility of a moderately good total USSR grain crop. It was realized that the winter wheat crop would be down sharply, but it was also expected that this would be partially offset by larger plantings of feedgrains.

During July, crop conditions deteriorated, and this was underlined when the Soviet purchasing agency enlarged its commitment to take Canadian wheat and, at about the same time, bought an undisclosed quantity of U.S. wheat—believed at the time to be somewhere between 100 million and 200 million bushels.

As the summer progressed, reports of dryness and unusually hot weather persisted over much of European USSR; but, as had been the case in previous years, confirmation of the magnitude of difficulty, including any failure of the spring grain to offset winter grain losses, came mainly with the USSR's buying activity in the world market. To date, the USSR Government has not made known any official estimate of the 1972 crop outturn. However, the combination of weather reports with the extraordinary volume of grain purchases by the USSR points to a production level of about 122 million metric tons (storable-grain basis, five major grains), some 17 million tons below that of 1971.[1]

USSR grain utilization. Grain consumption within the USSR appears to be increasing by 4 million to 5 million tons annually. This estimate is based largely upon analysis of past crop and trade volume data, since almost no information on domestic grain utilization and stocks is available from official USSR sources. Usage for seed, food, and industrial purposes can be estimated reasonably well, although the breakdown for the food and industry portion as between wheat and other grains can only be approximated by assuming proportions similar to that prevailing in neighboring countries.

Feed usage of grain, on the other hand, can only be estimated as a residual of each year's total grain utilization within the USSR. In the absence of data on stocks, about the only way that total grain utilization can be estimated is by assuming that year-end reserves were at about the same levels for 1963-64, 1965-66, and 1971-72, since all of these were years of exceptionally large imports. With this approach, it appears that the USSR's feed use of grains is presently in the neighborhood of 90 million metric tons annually. Using the foregoing as general assumptions, and assuming a more or less linear growth of USSR feed utilization during the period 1966-67 through 1971-72, a tentative picture of USSR grain supply-disappearance is possible.

Feed use of grain probably accounts for nearly all of the year-to-year fluctuation as well as any long-term trend in total USSR grain usage. This is the case in economically advanced countries of other major consuming areas of the world where nonfeed usage holds remarkably constant. It is also supported by available information showing recent sharp increases in Soviet livestock numbers. Hog numbers in the USSR on January 1, 1972, for example, were officially reported to be 71.4 million head as against 49.0 million 3 years earlier; cattle numbers over the same period rose from 95.7 million to 102.4 million.

The composition of current Soviet grain import purchases is interesting in view of the large quantity of wheat which is normally used for feed within the USSR. Even with the decline of roughly 20 million tons in Soviet wheat output this year, the size of the current crop would be more than sufficient to

(Continued on page 10)

USSR: GRAIN SUPPLY AND DISAPPEARANCE, 1963-64 THROUGH 1972-73

Year beginning July	Area	Yield	Production[1]	Imports	Exports	Estimated consumption		Estimated change in stocks
						Feed	Total	
	Million acres	*Bushels per acre*	*Billion bushels*	*Billion bushels*	*Billion bushels*	*Billion bushels*	*Billion bushels*	*Billion bushels*
Wheat:								
1963	160	9.2	1.47	0.36	0.10	(2)	1.98	−0.25
1964	168	12.6	2.12	.08	.08	(2)	2.09	+.03
1965	173	9.9	1.71	.31	.10	(2)	1.86	+.06
1966	173	18.0	3.12	.11	.16	(2)	2.38	+.69
1967	166	14.2	2.36	.06	.19	(2)	2.49	−.26
1968	166	16.9	2.81	.01	.21	(2)	2.61	—
1969	159	14.4	2.29	.04	.24	(2)	2.46	−.37
1970	161	18.9	3.04	.01	.26	(2)	2.95	−.16
1971	158	19.0	3.01	.12	.12	(2)	3.02	−.07
1972	146	15.8	2.30	.55	.02	(2)	2.82	+.01
Coarse grains:[3]		*Metric tons per acre*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*	*Million metric tons*
1963	119	.33	40	(4)	1	(2)	43	−4
1965	120	.42	50	—	3	(2)	45	+2
1965	113	.40	45	(4)	2	(2)	48	−5
1966	107	.47	50	(4)	1	(2)	49	+
1967	108	.47	51	(4)	1	(2)	52	−2
1968	109	.50	54	1	1	(2)	54	—
1969	112	.51	57	(4)	1	(2)	56	—
1970	109	.55	60	1	(4)	(2)	57	+4
1971	109	.52	57	4	(4)	(2)	59	+2
1972	122	.48	59	6	—	(2)	65	−1
Total:								
1963	279	.29	80 (97)	10	4	43	97	−11
1964	288	.37	108 (136)	2	5	48	102	+3
1965	286	.32	91 (110)	9	4	45	99	−3
1966	280	.48	135 (159)	3	5	61	114	+19
1967	274	.42	115 (136)	2	6	66	120	−9
1968	275	.48	131 (157)	1	7	71	125	—
1969	271	.44	119 (149)	1	7	69	123	−10
1970	270	.53	143 (174)	1	7	82	137	—
1971	267	.53	139 (169)	7	5	87	141	—
1972	268	.45	122 (147)	[5]21	1	89	143	−1

[1] Storable-grain basis; data in parentheses for total grains are "bunker weight" basis. [2] Not available. [3] Includes rye, barley, corn, and oats. [4] Less than 500,000 metric tons. [5] Assumes that 5 million tons of the total USSR purchases are destined for other countries.

[1] Grain production data from official Soviet sources normally are on gross weight basis and also include rice, millet, buckwheat, and pulses.

Brazil's Cotton Output Near Record Level

By ROBERT B. EVANS
Cotton Division
Foreign Agricultural Service

Bales from Brazil's southern cotton-growing region are loaded aboard a ship in the port of Santos.

COTTON PRODUCTION is up in Brazil's northeastern and southern producing areas, bringing the country's 1971-72 total production relatively close to the 1968-69 record.

Expected to amount to 3.1 million bales (480 lb. net), the 1971-72 (August-July) output reflects a considerable increase from last year's bad-weather crop of 2.3 million bales, and is only 200,000 bales less than the 3.3-million-bale record of 1968-69.

In the northeastern cotton producing States (primarily Ceará, Rio Grande do Norte, Paraíba, and Pernambuco), output in 1971-72 returned to the normal level of about 800,000 bales after the disastrous crop of only 400,000 bales in 1970-71 because of drought. Production during 1971-72 in south Brazil (primarily the States of São Paulo, Paraná, Goiás, and Minas Gerais) will probably reach 2.3 million bales, a 21-percent increase from the 1970-71 level of 1.9 million.

It seems likely that Brazil's cotton production in 1972-73 will decrease modestly from the 1971-72 total to around 2.9 million bales.

Production in the northeast is expected to be up slightly despite below normal moisture. However, south Brazil has reduced its acreage this season in response to declining prices.

Acreage and production in south Brazil have fluctuated considerably during the past several years. Production dropped about 400,000 bales in 1970-71 from the level of the previous year, partly because prices in 1969-70 had been low, and farmers had smaller incomes from cotton than they had expected. As a result, when they planted the 1970-71 crop, they substantially reduced cotton acreage—from 3.4 million acres to 2.7 million. Inadequate rain during the growing season and cold weather and heavy rains during the harvest also helped to cut outturn.

When the 1970-71 crop was harvested, however, local prices had risen 50 percent over a year earlier. And prices went up again at the beginning of the 1971-72 crop year (August 1971) when the Government of Brazil raised minimum prices by more than 40 percent over the previous season's level. This undoubtedly influenced planting plans and area increased to 3.1 million acres. Good weather and the highest yield since 1968-69 contributed to the current high output.

The 1972-73 southern cotton crop will not be planted until this month but the Government of Brazil was expected to announce its support prices before October. World cotton prices have dipped sharply since last spring and are continuing to decline.

AS A COTTON producer, Brazil is practically two different countries. Because of the country's immense size, cotton crops from its two producing regions reach the market at different times of the year.

Less than one-fourth of Brazil's total production grows in the northeast, and comes on the market largely between July and December.

The rest of the country's cotton output is grown in the south, centered in the State of São Paulo, which generally grows about half of the area's crop. The south Brazil crop is harvested during the second quarter of the year.

Exporters of south Brazil's cotton have a marketing advantage that usually enables them to sell their product rapidly and at a good price. Brazilian and Central American cottons are the major growths that come on the market in late spring.

Southern outlook. South Brazil's cotton situation varies considerably from State to State. The most dramatic change is taking place in the State of Goiás, where cotton acreage is reported to have at least doubled in 1971-72, and production is said to have increased from around 122,000 bales in 1970-71 to 230,000 bales or more this season.

Goiás is expected to be Brazil's cotton region of the future because of the availability of flatter land than in many of the present cotton areas, along with sandier soil and a climate that is moderately warmer and normally dryer during the harvest season. Merchants predict that cotton production in Goiás will continue to rise and that cotton will soon replace rice as the leading crop.

On the other hand, cotton acreage has declined steadily in Parana and in 1971-72 it was scarcely half of what it was 3 years ago. Said to be responsible for the decrease are: Declining yields, disappointment with the weather, rising production costs, and increased interest in other "safe" cash crops, such as soybeans, peanuts, and corn.

IN SÃO PAULO THE raw cotton industry is well established and financed and seems to be holding its own. The substantial increase in prices this season seems to have boosted acreage only minimally, however.

Cost factors. Studies indicate that, in the last four seasons, the cost of raising cotton in south Brazil has doubled in terms of cruzeiros and risen by 40 percent in terms of dollars.

Picking costs, particularly, have climbed because of competition from

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industrial jobs and increased opportunities at home for workers who had formerly migrated from north Brazil to take jobs in the south.

Until now, Brazil's experience with cotton-picking machines has been limited to a very few used for experimental purposes. South Brazil's high picking costs last season have caused growers to buy about 30 machines from the United States, most of them new. Others were purchased second-hand from Central America. Most of the new machines are being used in Goiás; the remainder are in São Paulo.

It is believed that it will be difficult to change to machine harvesting elsewhere in south Brazil because of hilly terrain. In addition, many problems involved in adapting cultivation, ginning, and marketing procedures to machine-picked cotton still must be resolved.

Coffee rust is now well established in São Paulo and Paraná (see *Foreign Agriculture*, May 15 and 22, 1972), and there is a possibility that this could influence the competitive relationship between cotton and coffee in years to come. However, it is unlikely to have an impact on cotton acreage in the immediate future.

Available data indicate it is much less expensive to produce cotton in south Brazil than in the United States. Costs of ginning and moving cotton into export are also considerably lower in south Brazil. Ocean freight costs to importing markets in Western Europe and the Far East are about the same, with perhaps a slight advantage in Brazil's favor.

Contrasts in marketing. The cotton marketing system in south Brazil has some features that differ considerably from those of the United States. Brazilian farmers typically sell their crop as seed cotton at the gin, rather than pay to have the cotton ginned, and then seek out a buyer as is done in the United States.

South Brazil's cotton gins are largely on rail lines that fan out from major cities and ports, and practically all of the area's exported cotton moves by rail from gin to port. In the United States, three-fourths of the far western cotton exported moves to port by truck; in the Southwest around 30 percent moves by road, and in the delta over half.

Adding to the costs of shipping south Brazil's cotton is that some of it must be transshipped because several of the railroads are narrow gage. Cotton companies negotiate each year with the railroads, which are federally and State owned. Rates charged depend on volume shipped.

A few years ago, 80 percent of south Brazil's crop was ginned by large exporting companies, which had the advantage of being able to handle cotton from gin to importer overseas without a change of ownership. They thus avoided a 3-5 percent transaction tax. This tax has been eliminated and now the export companies handle only about half of the crop. Of the remainder, about 42-45 percent is handled by smaller, independent companies, and about 5 percent to 8 percent by co-ops.

Brazil has a price-support system for both seed cotton and lint cotton. The minimum price level for seed cotton provides a basis for production loans to

(Continued on page 16)

COTTON ACREAGES, YIELD, AND PRODUCTION BY STATE IN SOUTH BRAZIL

State and category	1967[1]	1968[1]	1969[1]	1970[1]	1971[1 2]
	1,000 bales[3]	1,000 bales[3]	1,000 bales[3]	1,000 bales[3]	1,000 bales[3]
Production:					
São Paulo	849	1,206	1,183	1,037	1,332
Paraná	712	1,070	892	557	505
Minas Gerais	115	64	66	72	161
Goiás	69	55	53	122	230
Other	92	62	79	72	114
Total	1,837	2,457	2,273	1,860	2,342
	1,000 acres	1,000 acres	1,000 acres	1,000 acres	1,000 acres
Acreage:					
São Paulo	914	1,206	1,528	1,268	1,550
Paraná	823	1,455	1,429	921	780
Minas Gerais	272	269	269	269	350
Goiás	114	102	101	119	350
Other	138	107	108	120	170
Total	2,261	3,139	3,435	2,697	3,200
	Lb. per acre	Lb. per acre	Lb. per acre	Lb. per acre	Lb. per acre
Yield:					
São Paulo	446	480	372	393	412
Paraná	415	353	300	290	311
Minas Gerais	203	114	118	128	221
Goiás	291	259	252	492	315
Other	320	278	351	288	322
Average	390	376	318	331	351

[1] Crop year beginning Aug. 1. [2] Mostly estimated. [3] Bales are 480 lb. net. Compiled from reports of U.S. Agricultural Officer, São Paulo, and *Annuario Statistico* and other reports of Ministry of Agriculture of Brazil.

COST OF EXPORTING COTTON FROM BRAZIL AND THE UNITED STATES, 1971-72

[Dollars per bale]

Item	Brazil	United States		
		Memphis	Lubbock	Fresno
Freight, interior point to port	2.12	5.42	7.58	4.46
Receiving, handling, storage at warehouse	.60	1.78	(1)	.72
Compression and shipside receiving	2.07	2.69	5.66	2.40
Port and forwarding charges	.83	1.73	1.25	2.93
Other	1.20	4.51	4.76	3.60
Total	6.82	16.13	19.25	14.11
Ocean freight to:				
Antwerp, Hamburg	13.52	13.71	13.71	15.25
Japan	13.13	14.96	14.96	13.13

[1] Not available.

U.S. Firms Aid Agricultural Development in Egypt, Algeria, And Sudan

A RECENT BID from the Algerian Government for American participation in a large-scale poultry project underscores the expanding cooperation and contact between private U.S. companies and Arab governments.

Contacts between private American concerns and Arab governments have continued steady despite fluctuations in political relationships. American firms working for Arab governments in Egypt, Algeria, and the Sudan illustrate the cooperation that is building agricultural development.

Major efforts are underway to explore natural resources, especially petroleum, in these three countries, with the help of American and other Western companies. But, more importantly for the largely agricultural populations, major agricultural development programs are getting underway as well.

Among a variety of problems, agricultural needs have been a major consideration in these countries, two of which have achieved political independence within the past 20 years. Land reform has been a high priority in Algeria and Egypt; diversifying crops and markets has been important for all three; and agricultural development projects to achieve self-sufficiency and economic parity for farm groups are part of their national policy. In this development process, American firms have been called upon for expertise and resources to develop national plans.

In addition, agreement has been reached between Egypt and the Commodity Credit Corporation (CCC), for renegotiation of the Egyptian debt for commodities exported under the CCC export credit sales program. This permits a renewal of such credits and trade.

The agreement, announced January 6, 1972, provides for rescheduling Egypt's $84.8-million debt under the CCC export credit sales program. Egypt has already paid nearly $25 million of this debt and has become eligible to resume imports of wheat, wheat flour, vegetable oils, tallow, corn, and tobacco from the United States. First purchases of cottonseed oil, corn, tallow, and tobacco have been made, totaling over $11 million. A second line of credit for $11.1 million in wheat, wheat flour, corn, vegetable oil, tallow, and tobacco was opened on September 27, 1972.

Prior to the 1967 break in credit program activity, Egypt had been a major participant, and may become so again. In 1966, it imported $37.9 million worth of U.S. wheat, $15.1 million of flour, $5.3 million worth of vegetable oil, and $2.5 million worth of tobacco.

Agricultural development programs in Egypt have centered on two areas: expanding cultivated acreage and increasing productivity. Reclamation and irrigation projects, most importantly the High Aswan Dam, are extending the country's limited agricultural resources. Better irrigation, drainage, fertilizer use, better seed and improved pest control are being employed to increase productivity.

SPECIAL EFFORTS are also being made to locate and utilize underground water in oasis areas. Other approaches include better management of the scanty rainfall in the Western Desert, from the west of Alexandria to the Libyan border. The Egyptians are also seeking to develop land away from the fertile Nile Valley by tapping desert water and catching rainfall in these areas.

With an abundance of trained agricultural technicians, Egypt has staffed many of its own programs and sent agricultural assistance teams to other Arab nations, where as many as 10,000 Egyptian technicians are reportedly working.

Egypt has nonetheless called on U.S. firms for development advice. Following a number of research projects with U.S. firms, the Egyptian Government has readied the development process to the point where U.S. firms could play a greater part in implementing the programs.

To extend this possibility to outside investors, a new investments law was established in September 1971. This law makes it possible for foreign firms to retain control of their operations, and substantially reduces corporate worries about a possible takeover by the Egyptian Government.

The law is geared to encourage investments resulting in export promo-

Ancient water-lifting method in Egypt. Modern irrigation projects are now helping to increase farm productivity.

tion, development of domestic agricultural and industrial products to replace present imports, and development of tourism and housing facilities.

Contacts between Egyptian leaders and American firms are being made, with the hope of starting work on various development projects. Most of these will be in export promotion and development of domestic replacements for imported goods.

Algeria, faced with urgent agricultural problems, has made the most use of U.S. firms for consultations.

About one-third of the land under cultivation—situated largely in irrigated and rainfed areas with good soil and formerly farmed by French colonists—is worked by farmer cooperatives, with ownership vested in the nation and worker collectives having control over their own operations.

The remaining two-thirds of the agricultural land consists mostly of small farms in the traditional Arab family system, with holdings under 50 acres. With poor soil, severe erosion problems, lack of irrigation, and long distances to urban centers, this land produces food largely for consumption in nearby villages and towns.

Algeria has made major moves to decrease its dependence on its main export crop, wine, to balance exports and achieve greater agricultural self-sufficiency. Efforts are underway to develop all sectors in agriculture, and especially to bring the traditional family farm into fuller productivity.

Algeria, rich in petroleum, has been able to set aside considerable resources for development, especially agricultural development. This is to be accomplished through modernization and investment, and is expected to increase the market for domestically produced goods. In addition, Algeria has set itself the goal of agricultural self-sufficiency by 1980.

At present, Algeria participates in the CCC credit program. A new line of CCC credit was opened up in 1971 for $30 million worth of wheat, feedgrains, and tallow, enabling Algeria to buy about 1 million bushels of U.S. wheat and nearly 900,000 bushels of corn to date. While the credit line was later amended to cover $40 million in purchases of U.S. agricultural products this year, the Algerians had bought only around $3 million of these products by September.

A number of American firms have been closely involved in a consultant status, working on feasibility studies and helping outline wholly integrated agricultural enterprises.

In one example of a total package of closely related agricultural industries by one U.S. firm, feasibility studies were undertaken on an integrated dairy operation including processing plant, pasteurizing, and some sterilizing; a poultry industry integrating broilers and layers; a feed industry with products to serve the projected dairy and poultry industries; production and processing of vegetable oils and meals, with emphasis on soybean development (the vegetable oil and soybean oil could be used to develop a synthetic milk product, with meal products going into the feed operations), and a number of related projects.

This project, of integrated agricultural industries which interact to meet domestic economy needs, remains under serious consideration by the Algerian Government.

Other studies by American firms have included irrigation projects, development of new wheat, domestic use applications of new wheat and rice strains in use elsewhere, and similar productivity projects.

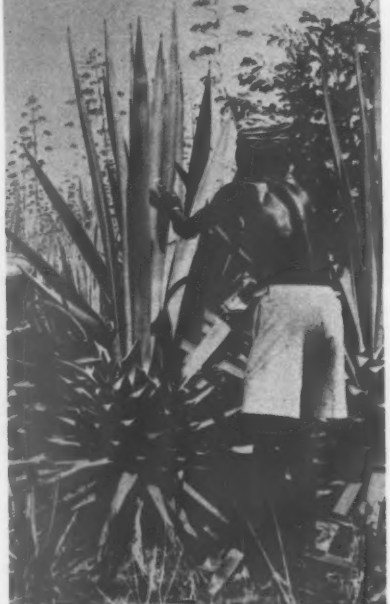
In addition to the American corporations, other American assistance teams are coming from the Ford Foundation, the Rockefeller Foundation, and the International Volunteer Service (IVS).

The IVS, which has long operated English classes in Algeria, is just beginning an agricultural project to aid in the wheat and rice programs and establish an agricultural extension service. Present plans call for a 10-member team to be in full operation in 1972, with requests from Algeria for another 114 American agricultural advisers from IVS.

With this fairly sizable group of American agricultural development plans to work from, the Algerian Government is ready to implement those which would bring immediate benefits.

A significant number of construction contracts have been signed with American firms, with negotiations underway for many more. The Export-Import

Sudanese girl winnowing rice. Government experimental stations are promoting more modern farm practices.



Cutting sisal in the Sudan, for processing into fiber to replace jute imports. (*Photos from FAO.*)

Bank and other American financial institutions are also involved through increasing credit arrangements with Algerian enterprises.

Investment programs announced for 1972 which are open for American bids include dairy projects, livestock development, a domestic fowl program, livestock feeding, cold storage for fruits and vegetables, and other programs.

The poultry project, an especially large one, is of special interest to American firms. The investment program calls for one production plant for 12 million chicks, breeding and production centers for an additional 3 million chickens per year, and production centers for eggs with an annual production capacity of 100 million eggs and processing of 160 million eggs. These plans are the direct outgrowth of studies by U.S. firms, and may well be implemented by U.S. firms.

Agricultural development in the Sudan has been much slower than in Egypt and Algeria. Of the three, the Sudan has the greatest potential for development in agriculture and the least resources to accomplish it.

Only a small portion of available land has been put to agricultural uses, and efforts are concentrated on improving present agriculture and developing potential land resources.

At present, between 12 million and 15 million acres are under cultivation, while current estimates indicate the Sudan has a potential of 100 million acres for cultivation.

Lacking the technical resources of Egypt and the financial resources of Algeria, the Sudan has had to rely on outside help for both. Previous leaders of the Sudan turned heavily to the Soviet Bloc for aid in development. This arrangement came under criticism during the past year, and much of the Eastern Bloc aid has been replaced by Egyptian technical assistance and Libyan financial aid.

Sudanese leaders are showing a strong interest in U.S. participation in agricultural projects, although definite commitments between the Sudanese agricultural sector and American agricultural interests have not been made.

In October 1971, a line of CCC credit was opened for Sudan for the purchase of U.S. wheat and other commodities. The wheat, with first shipments arriving March 1972, was the first shipment of an agricultural product to Sudan from the United States since 1967. Further sales of U.S. wheat under CCC credit are continuing, and, if diplomatic relations are restored, P.L. 480 shipments could again be initiated. Prior to the 1967 break in relations, the United States was the leading supplier of wheat and wheat flour, largely under the P.L. 480 program.

Agricultural development is being directed by a small group of well-trained leaders. Progress is being made in developing land for mechanized agriculture, and several dams are aiding irrigation work.

Expectations are also high for developing a livestock industry. Government statistics indicate over 12 million head of cattle are grazing in the 62 million acres of short grass pastures in the Sudan. Many of the herds are held as personal wealth, rather than developed as a beef industry.

Each of the three nations illustrates a phase of American cooperation in planning and development work, ranging from first contacts to extensive and wide participation. Egypt, using its own technical workers for the most part, has reached the point where it is ready to invite American participation in translating development plans into action. Algeria, which has made extensive use of American consulting firms, is now moving into contractual relations with U.S. firms for actual projects. The Sudan, with perhaps the greatest agricultural potential of the three, is ready to explore possibilities with American firms.—L.E.B.

EC Trade Pacts With Egypt and Cyprus

THE TRADE AGREEMENT between the European Community (EC) and Egypt, signed October 1, will go into force January 1, 1973. Negotiations between the Community and Cyprus are expected to resume this month, with an agreement possibly being signed early in December.

The Community will grant Egypt and Cyprus 40-percent tariff preferences on fresh oranges, lemons, and grapefruit and also on processed grapefruit segments. In 1970, the last year for which EC import data are available, Egypt and Cyprus together accounted for 1 percent of EC imports of fresh oranges during the April-October U.S. shipping season, 4 percent of total EC imports of fresh lemons, and 6 percent of EC imports of fresh grapefruit (by value). The United States accounted for 4 percent, 12 percent, and 6 percent, respectively. Neither Egypt nor Cyprus was a significant supplier of processed grapefruit to the Community in 1970.

The Common Market will also grant a 17-percent preference on dried onions, a 50-percent preference on fresh onions imported between February and April, and a 50-percent preference on unmanufactured tobacco (the EC imported $73,000 worth of unmanufactured tobacco from Cyprus in 1970).

The Community will make a 25-percent reduction in the amount of the variable levy applied to a stipulated quantity of rice from Egypt on the condition that Egypt maintain a minimum export price by means of an export tax equal to the levy reduction. This concession, therefore, would be more of an aid measure than a tariff preference.

WHEN THEY ENTER the Community, the United Kingdom and the other new members will adopt the Community's Mediterranean arrangements, including the agreements with Egypt and Cyprus if they are in effect at that time, possibly with certain adaptations or transitional arrangements which have not been worked out yet. Cyprus now exports fresh citrus to the United Kingdom free of duty under a Commonwealth preference. This arrangement may continue until there is a general revision of the Mediterranean preference system. It is not clear whether the United Kingdom will be required to impose Community reference prices with respect to its citrus imports from Cyprus.

Taiwan Changes Canned Asparagus Sales Terms

After several years of debate, the Chinese Government has approved a uniform export price system for Taiwan's canned white asparagus and has set production and export goals for 1972. New regulations to encourage production and sales through incentives and penalties were also issued.

The prices on the new schedule range from a low of US$4.20 (f.o.b. Taiwan port) for a case of 12 glass jars (410-gram size) of all white asparagus spears or pieces to a high of $14 for a case containing 24 cans, No. 2 size, of all white spears. Prices of white asparagus tipped with green were slightly lower.

Production and exports for 1972 were both set at 4 million standard cases. The export schedule calls for the sale of 2.5 million cases of canned asparagus to West Germany in the current year. The Netherlands is in second position with proposed sales of 210,000 cases, while the United States and Belgium share third place with a target of 200,000 cases each.

In 1970 U.S. imports of canned asparagus from Taiwan totaled 52,000 standard cases, rising to 78,000 in 1970.

Taiwan, the world's largest exporter of canned asparagus since 1967, undertook its program of rewards and punishments to prevent the overproduction, price cutting, and poor product quality that hampered the industry in the past. Under the program each asparagus canner will be graded on all aspects of its operation.

Production quotas were to be allocated for the year according to the grade the canners earn as the result of these various inspections. Those earning a mark of 60 percent or less were to have their production quota reduced, while those earning higher marks were to receive a larger quota.

Taiwan's production of white asparagus in 1971 is estimated at 143,296 metric tons from a harvested area of 40,800 acres. This was far above the Government's announced goal of 90,000 tons from 37,000 acres for that year. Under the new program, production of raw asparagus for canning will be limited to 91,000 metric tons from 37,500 acres.—Based on dispatch from

NORMAN J. PETTIPAW
U.S. Agricultural Attaché, Taipei

World Bank Ups Agricultural Loans

The World Bank Group has greatly increased its assistance for agricultural development in developing countries in recent years. A Sector Working Paper on agriculture, just published, states that in the 5 years ending June 1973, the Bank expects to lend $2,400 million for this purpose. At that level, the lending would be four times as large as in the previous 5 years.

The most notable trend in the Bank's lending for agriculture, particularly since the early 1960's, has been the diversification beyond basic irrigation infrastructure into onfarm activities, technical services, and related rural development. Increasing emphasis is being given to rainfed agriculture. The Bank is becoming more heavily involved in storage, marketing, seed multiplication, forestry, and fisheries projects. Individual projects of all types are becoming more comprehensive, stress being on general rural development.

The number of projects aimed at producing food crops, livestock, and fish for local consumption should increase, according to the paper. There will probably also be an increase in the number of projects to handle the expected increases in marketable surpluses of food products (such as marketing, processing, storage, and transportation projects) as well as the provision of facilities for input distribution and related service industries.

Soviet Grain Imports (Continued from page 4)

meet normal requirements for food, industrial, and seed uses.

However, since virtually all of the wheat to be imported is of milling types, it would appear that heavy feeding of wheat might continue at near the level of recent years even in the current season, and that the supplies being imported will go toward meeting a sizable portion of Soviet requirements for milling wheat. Due to weather damage, a larger than normal portion of the Soviet wheat crop may be of poor quality and thus be more suitable for feed than for milling.

Because of the growing importance of livestock feed in the Soviet situation, another important factor in the analysis of grain requirements for the current year could be the availability of nongrain feeds such as peas, potatoes, and other root and forage crops commonly used in large quantities for animal feeding in the Soviet Union. A basis does not exist for quantitative estimates of such uses or of the current outturn of such crops, although conditions for these crops have also been unfavorable.

Future implications. Whatever the final levels of production and trade turn out to be for the USSR in 1972-73, this year's experience already has an important meaning for future seasons. Soviet grain purchases this year indicate that Soviet authorities intend to stand by their 1975 livestock production goals. If they do, the annual requirement for basic grains will need to increase to around 160 million tons, storable-grain basis.

No doubt the 1972 experience will be followed by a massive effort to increase USSR grain output. This occurred after the 1963 and 1965 crop failures, and USSR output jumped roughly one-third in succeeding years. But the experience of 1972 will probably also call for a sizable buildup of stocks. Considering the grain crop's high vulnerability to yield fluctuations, it is not unlikely that the USSR could set out to increase its reserve stocks considerably within the next few years.

Thus, with requirements of grain for feed purposes rising by at least 4 million or 5 million tons annually, production would need to exceed 150 million tons next year and move consistently toward even higher levels in subsequent years. If or when it falls short of such a trend, large imports will again be needed if present plans for meeting consumer demands remain in effect.

For the near future, it appears that even with a relatively good crop next year, the USSR may need to schedule sizable imports again for 1973-74. For the years beyond 1973-74, if current livestock production goals are retained and increased further after 1975, it now appears that the USSR will be a major importer of grain, perhaps over the next 3 to 5 years.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Oct. 4	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14	2.78	−4	1.92
USSR SKS-14	(1)	(1)	1.90
Australian FAQ [2]	2.59	+20	1.66
U.S. No. 2 Dark Northern Spring:			
14 percent	2.49	−3	1.80
15 percent	2.53	(1)	1.95
U.S. No. 2 Hard Winter:			
13.5 percent	2.52	−7	1.77
No. 3 Hard Amber Durum	2.67	+22	1.73
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	(1)	(1)	1.71
Feedgrains:			
U.S. No. 3 Yellow corn	1.70	−1	1.32
Argentine Plate corn	2.05	+4	1.53
U.S. No. 2 sorghum	1.74	+4	1.33
Argentine-Granifero sorghum	1.76	+4	1.35
U.S. No. 3 Feed barley	1.66	+5	.97
Soybeans:			
U.S. No. 2 Yellow	3.79	+2	3.29
EC import levies:			
Wheat [3]	[4] 1.26	−4	1.54
Corn [5]	[4] 1.13	+7	1.08
Sorghum [5]	[4] 1.04	+1	1.09

[1] Not quoted. [2] Basis c.i.f. Tilbury, England. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Italian levies are 21 cents a bu. lower than those of other EC countries. Note: Basis 30- to 60-day delivery.

Morocco Reports Record Wheat Crop

The 1972 Moroccan wheat crop is estimated at 2.45 million tons, 11 percent above 1971 and slightly above the 1968 record.

Bread wheat production of 650,000 tons is up 6 percent above 1971 and Durum, estimated at 1.8 million tons, is 15 percent above 1971. Record yields for Durum reflect near-ideal weather conditions. The bread wheat crop was damaged by smut but should be a record crop. Area planted to the higher yielding varieties increased from 60,000 hectares in 1970-71 to 90,000 hectares in 1971-72.

Despite this record crop, and apart from shipments under grant programs, Morocco will probably import over 500,000 tons of wheat in fiscal 1973, down from the 560,000 tons imported in fiscal 1972. The United States share was 84 percent of this. The necessity for substantial wheat imports even after 5 years of above-average crops (1968-72) indicates considerable growth in domestic consumption.

Bolivian Wheat Production And Import Requirements

Bolivia's 1971 wheat production was 68,500 metric tons compared with 62,000 metric tons in 1970. The 1972 production is forecast at 70,000 tons.

Bolivia's imports were 179,900 metric tons in fiscal 1972. Consumption increased 2 percent to 249,000 metric tons in fiscal 1971. With consumption growing faster than production, 1973 imports are forecast at 185,000 tons.

Principal suppliers are the United States, Argentina, and recently Australia. The U.S. Public Law 480 agreement under Title 1, signed in 1971, provided 80,000 metric tons, with delivery term extended to September 30, 1972.

BOLIVIAN IMPORTS OF WHEAT AND WHEAT FLOUR
[In thousands of metric tons]

Item	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972
Wheat flour:					
United States	110,409	110,195	119,014	10,725	44,353
Argentina	12,458	38,111	60,723	100,673	60,000
Total	122,867	148,306	179,737	111,398	104,353
Wheat:					
United States	12,671	16,950	3,552	15,750	51,474
Argentina	23,623	24,972	32,878	3,356	2,351
Rumania	——	3,367	5,133	——	——
Australia	——	——	——	36,578	21,722
Total	36,294	45,289	41,563	55,684	75,547
Grand total	159,161	193,595	221,300	167,082	179,900

Thailand Reinstitutes Export Tax on Rice

Export taxes have been recently reinstituted on several varieties of rice that together accounted for one-third of Thai rice exports in 1971 and 1972. This is a result of the tight rice supply in Thailand and the relatively high price situation in international rice markets. The recent move imposes taxes of about $24-$36 per ton on several classes of both nonglutinous and glutinous brown, white, and parboiled rice.

The tax of about $36 on 100 percent whole-grain white white rice and rice with 5 percent broken content, which had not been abandoned, was continued with the latest move. Together, the old and restored taxes affect about half of the rice exported from Thailand.

Judging from past experience, at least half of the tax increase will be reflected in higher Thai export prices and inter-

national prices for the major varieties affected—white rice with 10-15 percent brokens and parboiled rice up through 15 percent brokens.

World Barley Crop Near Record Harvest

The 1972 world barley harvest is estimated at 128 million tons, 2 percent below the 1971 record, and 15 percent over the 1966-70 average. World area gained 4 percent.

A detailed table appears in the September *World Agricultural Production and Trade—Statistical Report.*

BARLEY PRODUCTION IN SPECIFIED AREAS
[In thousands of metric tons]

Area	1971	1972
Canada	13,099	10,836
United States	10,069	9,104
France	8,950	9,398
West Germany	5,601	5,849
United Kingdom	8,576	8,115
Denmark	5,474	5,375
Spain	4,783	4,137
Eastern Europe	10,683	10,776
USSR	28,600	29,900
Others	34,601	34,359
Total	130,436	127,849

World Wheat Crop Moderately Lower

World wheat production in 1972 is estimated at 300 million tons, 7 percent below the 1971 record but 4 percent above the 1966-70 average.

A detailed table appears in the September *World Agricultural Production and Trade—Statistical Report.*

WHEAT PRODUCTION IN SPECIFIED AREAS
[In thousands of metric tons]

Area	1971	1972
Canada	14,412	13,811
United States	44,620	42,443
South America	8,931	9,980
Western Europe	50,793	49,024
Eastern Europe	30,082	29,886
USSR	81,900	62,300
Africa	7,833	8,933
Asia	73,628	75,135
Australia	8,644	6,800
Others	2,345	2,177
World total	323,188	300,489

Seed Trade Mission To Japan Reports

A technical seed trade mission sponsored by the Canadian Seed Growers Association recently returned from Japan after spending a month evaluating the potential market for Canadian forage seed.

Some conclusions reached by the group are these: Japan's forage seed requirements will continue to increase, since by 1980 the Japanese hope to have converted 500,000 acres of rice paddy land to grass, mainly orchard and Italian rye grass; Canada could have a sales advantage over the United States in that it has one national overall seed certification program whereas U.S. States have their own programs; Canada should grow Japanese forage seed varieties on a contract basis; and Canada should establish testing programs to determine which varieties of interest to the Japanese can be grown in Canada.

Grain Stocks Up 10 Percent In Major Exporting Countries

Grain stocks in the United States, Canada, Argentina, and Australia on July 1, 1972, were 10 percent higher than a year earlier. Stocks of wheat, rye, barley, oats, and corn in these four principal exporting countries totaled 132 million metric tons.

This gain in stocks is the result of a record world grain harvest in 1971, a year when wheat, barley, and corn crops were at record levels.

Stocks of wheat on July 1, at 49.6 million tons, declined 7 percent, while coarse grain stocks totaling 82.3 million tons were 25 percent higher. Rye stocks at 1.7 million tons were up 53 percent; barley stocks at 10.0 million tons were up 31 percent; and oats at 11.0 million tons were 2 percent higher. Corn stocks rose 28 percent to 59.6 million tons.

The United States held stocks of the five grains totaling 91.7 million tons, the largest since 1964. In addition, U.S. sorghum stocks were 7.0 million tons, up from 4.5 million in 1971, for a total of 98.8 million tons, 31 percent above a year earlier.

U.S. wheat stocks on July 1 were 23.6 million tons, up 19 percent. Barley was 11 percent higher at 3.8 million tons, oats were up 7 percent at 8.0 million, and rye at 1.1 million tons, up 61 percent. The United States had 55.3 million tons of corn, up 39 percent and about the same as on July 1, 1968, the highest in recent years.

Canada's wheat stocks declined 18 percent to 18.1 million tons, up 61 percent. The United States had 55.3 million tons and oats were down 6 percent at 1.9 million tons. Rye at 424,000 tons was 28 percent higher.

Argentina held an estimated 2.9 million tons of wheat, little changed from July 1, 1971. Its rye and barley stocks were 83 and 74 percent higher, respectively, and oats slightly lower. Argentine corn at 4.3 million tons was down 36 percent.

Wheat stocks in Australia at 5.1 million tons were down 39 percent. Barley at 860,000 tons was off 11 percent, and oats at 943,000 tons, down 13 percent.

GRAIN STOCKS OF MAJOR EXPORTERS
[In thousands of metric tons]

Grain	United States	Canada	Argentina	Australia	Total
Wheat	23,551	18,060	2,865	5,103	45,579
Rye	1,146	424	110	——	1,680
Barley	3,793	5,177	200	860	10,030
Oats	7,969	1,886	200	943	10,998
Corn	55,285	——	4,330	——	59,615
Total	91,774	25,547	7,705	6,906	131,902

LIVESTOCK AND MEAT PRODUCTS

Canadian Team Sees Growth Of Cuban Livestock Sector

A Canadian agricultural delegation that recently visited Cuba indicates that Cuba's demand for protein supplements for livestock rations is increasing as a result of a Cuban program for the development of the livestock sector. The Canadians hope to be able to supply Cuba with rapeseed meal.

Little is known about Cuba's livestock development program, but the island's total cattle population is believed to be in excess of 7 million. In the last 3 years, Canada has sold about 13,000 head of dairy breeding cattle to Cuba as well as hogs and poultry.

FRUITS, NUTS, AND VEGETABLES

Antidumping Duty To Be Assessed on Imports of Canadian Potato Granules

The U.S. Tariff Commission has recently published a determination that a U.S. industry was likely to be injured by imports of potato granules from Canada at less than fair value. Such imports will be subject to special dumping duties —retroactive to March 4, 1972.

The Commission estimated that imports from Canada in 1971 were 4 million pounds—about 2 percent of U.S. domestic consumption. They recognized that the price impact from such imports was small and that U.S. industry was not being injured at present. In determining likelihood of injury, the Commission pointed to the large unused capacity in the Canadian industry and that Canada was faced with a substantial loss of its U.K. market (roughly estimated at 20 million pounds) upon entry into the European Community.

Australian Dried Fruit Production Sets Record

A record sultana crop boosted 1972 Australian dried fruit production to 123,700 short tons, 69 percent above the small 1971 pack and 19 percent above the 1965-69 average.

Sultana raisin production totaled a record 102,700 tons, over twice the 1971 crop. Weather was exceptionally favorable and winery demand for sultanas was down. Lexia yield was also high, and although winery utilization was higher than anticipated, production totaled 6,500 tons. Rains and consequent mold infestation caused some damage to the current crop in the Sunraysia area. Production was reasonably good in Western Australia and total currant production was 8,500 tons.

A light set in the Young district cut prune yield and production totaled only 2,900 tons. Sizing was well above average and of good quality. Dried apricot production was also down.

Forecasts indicate 1972 sultana exports will total 83,400 tons, the highest level since 1965. Exporters have benefited from the short U.S. raisin crop with increased shipments to markets normally supplied by the United States. Over 93 percent of the sultana crop already has been sold or committed. Only small carryover stocks are expected.

SUPPLY AND DISTRIBUTION OF AUSTRALIAN SULTANAS
[In thousands of short tons]

Item	1969	1970	1971	1972 [1]
Beginning stocks (Jan. 1)	20.2	7.6	18.4	3.7
Production	44.7	90.4	49.6	102.7
Total supply	64.9	98.0	68.0	106.4
Exports	42.6	62.6	47.5	83.4
Domestic disappearance	14.7	17.0	16.8	17.0
Ending stocks (Dec. 31)	7.6	18.4	3.7	6.0
Total distribution	64.9	98.0	68.0	106.4

[1] Forecast.

AUSTRALIAN DRIED FRUIT PRODUCTION
[In thousands of short tons]

Item	1969	1970	1971	1972
Raisins:				
Sultanas	44.7	90.4	49.6	102.7
Lexias	4.4	4.0	5.6	6.5
Total	49.1	94.4	55.2	109.2
Currants	7.6	9.1	9.0	8.5
Prunes	3.6	5.0	4.8	2.9
Apricots	3.4	2.3	3.3	2.3
Other	.6	.7	.7	.8
Grand total	64.3	111.5	73.0	123.7

SUGAR AND TROPICAL PRODUCTS

Nigerian Cocoa Producer Price To Remain Unchanged

The Nigerian Western State Marketing Board has announced that cocoa producer prices for the 1972-73 season beginning September 12, 1972, will remain unchanged from the previous season's level—N£155 per long ton for Grade 1 and N£140 per ton for Grade 2 cocoa beans.

The Board also announced that it suffered a loss of N£10 million during the 1971-72 season, as its sales of cocoa on the world market did not cover costs of cocoa purchases and other expenses.

Thailand Exporting More Sugar As Output More Than Doubles

Thailand's exports of sugar have taken a strong upturn in 1972 according to a recent report. During the first 6 months of 1972, Thailand's sugar exports were valued at $44 million compared with exports of about $9 million for the same period of 1971. Exports of sugar of this magnitude placed this commodity in third place, after rice and corn, as a foreign exchange earner during January-June 1972.

Output of sugar has more than doubled in Thailand in the past 4 years, reaching about 600,000 metric tons during 1971-72. Following Thailand's withdrawal from membership in

the International Sugar Organization, effective October 28, 1971, over 370,000 metric tons of sugar were sold for shipment to foreign markets during the 1971-72 season (Nov. 1, 1971-Oct. 31, 1972).

FATS, OILS, AND OILSEEDS

1972-73 Indian Peanut Crop Forecast Down 25 Percent

The 1972-73 Indian peanut crop is now unofficially forecast at 4.3 million metric tons, 25 percent below the 5.7 million metric tons, in-shell basis, produced in 1971-72. Inadequate rainfall during the second half of July and August, particularly in the four major producing States of Gujarat, Andhra Pradesh, Maharashtra, and Mysore, prevented satisfactory growth of the peanut crop. According to some trade sources the crop may be reduced by as much as 35 percent if there is no additional rainfall. In terms of oil, this would mean a loss of 400,0000 to 600,000 tons of oil.

Stocks of soybean oil in India reportedly were less than 30,000 metric tons in early September, and would last until the end of October at the most. A slightly higher percentage of soybean oil has been allowed by the Indian Government (GOI) in the manufacture of vanaspati, in order to reduce the pressure on peanut oil supplies and prices. The new peanut crop will be late this season and arrivals at terminal markets should begin during October and November. Until then some of the 90,000 to 100,000 metric tons of rapeseed scheduled for import from Canada will have been received and crushed for use by the vanaspati industry.

The latest report describes the situation in the oil market as very volatile and indicates a probable oil shortage in 1973 unless the GOI takes some urgent steps to supplement supplies from outside sources.

DAIRY AND POULTRY

Tasmanian Company Negotiates Japanese Gouda Cheese Contract

A Tasmanian cheesemaker has negotiated a long-term supply contract with a Japanese buyer.

The managing director of Lactos Cheese Co. of Burnie, Tasmania, has announced that his company will begin manufacturing Gouda-type cheese in late September under a 5-year contract with Snow Brand for the supply of 1,000 long tons of Gouda cheese annually. Following initial discussions on the contract, the Lactos Cheese Co. began a A$1 million expansion program to the existing factory that is now almost completed. The cheesemaking capacity has been substantially increased, and the company plans to increase Gouda cheese production ultimately to about 3,000 long tons per year.

The opening of the Japanese Gouda cheese market is a new development for Tasmania, and the initial minimum contract level of 1,000 tons per year will provide an additional outlet for about 2 million gallons of Tasmanian milk. The Lactos Cheese Co. at present does not have sufficient suppliers to use the new factory to capacity, but it is anticipated that milk production in the Burnie area will expand sufficiently over the net few years to bring cheese output to capacity within the not too distant future.

This new agreement will bring Gouda-type cheese purchases from Australia under long-term contracts by the Snow Brand Co. to 6,000 tons per annum, with the prospect that they will rise to 9,000 tons over the next few years.

Japan's Cheese Imports High In First Half of 1972

Japan imported a total of 36.4 million pounds (on customs clearance basis) of natural cheese, valued at $13.7 million during January-June 1972. This compared with 37.3 million pounds for the same period in 1971 and total calendar 1971 imports of 78.9 million pounds. Australia, Norway, New Zealand, the Netherlands, and Denmark are principal countries of origin.

Trade sources estimate that Japan will consume about 100 million pounds of domestically produced processed cheese in 1972. Since domestic production of natural cheese is limited to approximately 22 million pounds annually, the current estimate of 1972 imports of natural cheese is about 88 million pounds.

In the past, natural cheese has been imported as material for producing processed cheese, but in recent years, it is increasingly used in its natural state. This is especially true of Cheddars and Gouda types.

Growing demand for cheese is expected to expand in the future, parallel with the Westernization of Japanese dietary life.

COTTON

Eastern Europe's Cotton Imports Decline in 1971

Several of the countries which traditionally have supplied the East European area with almost all of its cotton imports (averaging 97 percent of reported imports for the 1968-70 period) have reported reduced exports of raw cotton to Eastern Europe in 1971. The Eastern European countries under consideration are Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania. The major cotton exporters to this area by average volume of sales in 1968-70 (in descending order) are the Soviet Union, Iran, Egypt, Turkey, Syria, Sudan, Greece, Pakistan, and Brazil.

More than 60 percent of Eastern Europe's cotton usually comes from the Soviet Union, which supplied an average of 1.58 million bales of cotton (480 lb. net) to these six countries during the 1968-70 period. Total imports reported by the six countries for this period averaged 2.53 million bales. In 1970 Soviet exports to Eastern Europe rose to 1.85 million bales—an increase of approximately 530,000 bales from the low level of 1969, indicating some stock rebuilding and perhaps plans for increased cotton consumption.

Overstocking in 1970, however, may have contributed to the decline in Soviet cotton exports to Eastern Europe in 1971, when a more normal 1.64 million bales were exported.

It appears that Eastern Europe also imported less cotton from some of its other major suppliers in 1971. The eight other countries which exported a total of 872,000 bales of cotton to Eastern Europe in 1970 reduced exports to 778,000 in 1971—a decline of 11 percent.

Exports from Greece, Pakistan, Syria, Iran, and Turkey were down 20,000 to 50,000 bales each, but Egypt's exports to Eastern Europe rose 40,000 bales and Sudan's exports were up 31,000 bales.

COTTON EXPORTS TO EASTERN EUROPE,[1] 1968-71
BY EXPORTING COUNTRIES
[In thousands of bales of 480 lb. net]

Country of origin	1968	1969	1970	1971	Average 1968-70
Brazil	63	36	8	20	36
Egypt	164	192	233	273	196
Greece	66	88	91	72	82
Iran	246	184	193	145	208
Pakistan	59	58	73	54	63
Sudan	92	89	83	114	88
Syria	74	113	88	47	92
Turkey	113	86	103	53	101
Soviet Union	1,560	1,318	1,849	1,641	1,575
Total	2,437	2,164	2,721	2,419	2,441

[1] Includes Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania.

Poor Argentine Crops Increase Cotton Imports

A low level of cotton production in 1971-72 has plagued Argentina for the second consecutive year and may cause cotton imports to remain near a record high in 1972-73.

Argentina's cotton crop is normally harvested between February and May and most of the crop is not available for consumption or export until early the following crop year, beginning August 1. Heavy rains caused a sharp drop in Argentina's 1970-71 crop and induced the Government to slash import duties on upland cotton to meet mill requirements and export commitments between July and December 1971. (See *Foreign Agriculture* Sept. 6, 1971.) The 1970-71 crop reached only 385,000 bales (480 lb. net), down from 665,000 bales the previous year and one of Argentina's three smallest cotton crops in the recent postwar period.

Higher prices received for the 1970-71 crop encouraged increased cotton plantings in 1971-72, but these were limited by drought at planting time. Insufficient moisture during the growing season also caused lower yields than expected. Production in 1971-72 rose by only 6 percent to approximately 410,000 bales in spite of an 8-percent increase in harvested acreage. In the Chaco Province the drought was especially severe, causing a reduction of 22,000 bales. Increased production in other areas, particularly Formosa and Santiago del Estero, more than offset the reduction in the Chaco.

Argentina's cotton imports during 1971-72 are placed at 135,000 bales—up from 37,000 bales the previous season and a record high for the past 17 years. Trade data for calendar year 1971 indicate that most of this cotton came from Peru (53 percent), Brazil (21 percent), and Colombia (13 percent), although the United States also supplied 12 percent of Argentina's 1971 imports. During the first 7 months of 1972, Brazil assumed the position of the major supplier (54 percent). Peru supplied 36 percent of the market, Colombia less than 10 percent, and the remainder came from Mexico.

Acreage, which has fluctuated dramatically since 1964, may increase moderately in 1972-73, but it is not expected to return to previous highs. Approximately 985,000 acres of cotton were harvested in 1971-72. Imports are expected to remain high, although down from 1971-72. Exports, which fell from about 210,000 bales in 1970-71 to 1,000 in 1971-72 should be moderately higher.

Dutch Cotton Imports Decline Sharply

Ample beginning season stocks and high cotton prices during 1971-72 caused Dutch raw cotton imports to tumble for the season ending July 31, 1972. Preliminary data indicate that only about 215,000 bales (480 lb. net) were imported in 1971-72, compared with 279,000 the previous season, a decline of 23 percent. Imports from the United States were also down by 14 percent and are expected to total only 32,000 bales for the season. The U.S. dock strikes and tight U.S. cotton supplies were factors in the decline.

The Netherlands received the largest share—19 percent—of its cotton imports in 1971-72 from Brazil and the second largest share—17 percent—from West Germany, mainly in the form of reexports of cotton originating from Turkey and Afghanistan. The United States was the third major supplier.

The Netherlands may import about 250,000 bales of cotton in 1972-73. Beginning stocks this season are estimated at less than half the 60,000 bales in stock at the beginning of the 1971-72 season.

CORRECTION: In the October 2 issue, page 30, item entitled "Beef and Veal Output Record High as Herd Buildups Continue," first paragraph, third line, should read "1,145,000 long tons."

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FOREIGN AGRICULTURE

Brazil's 1971-72 Cotton Output a Near Record (Continued from page 6)

farmers, but the Brazilian Government is anxious not to take title to seed cotton because it has no place to store it.

The Bank of Brazil makes loans on lint cotton equal to 80 percent of the support level to ginning concerns that have paid producers as much as the support level for seed cotton. This payment by the Bank of Brazil helps to finance movement of the crop. Price support loans are expected to be repaid, and only rarely is cotton forfeited to the Brazilian Government. Because of steady devaluation of the cruzeiro, the market price at harvest time is usually well above the support level set the summer before.

Brazil also has minimum export prices in U.S. cents for its cotton. The apparent purpose is to insure that all of the foreign exchange earned by cotton exports is properly accounted for.

Brazilian cotton is subject to complicated value-added taxes that affect prices paid to farmers. Formerly, the State of São Paulo had an export tax on cotton of 17.5 percent, but this has been eliminated. In next-door Paraná there is still a 7-percent tax on exports. In Goiás it is 14 percent. Cotton moving from São Paulo or Paraná to another State is subject to a 14-percent tax which can be used as an offset on the 16-percent value-added tax the purchasing mill usually has to pay.

The State of São Paulo requires that all cotton seed for planting in the State must be purchased through the State Secretary of Agriculture. Brazil's principal cotton variety at present is IAC RM_3 Wilt Resistant, which was developed by the Agronomic Institute at Campinas and multiplied under a controlled program. Seed that was planted in Goiás is from the same program.

In South Brazil each State has its own classing organization except that classing for Goiás is done in São Paulo. Cotton is classed for grade only, although there is sample checking of staple length for statistical purposes and a limited number of determinations of micronaire and fiber strength.

Until this year each State has had its own cotton classing standards, but next season, for the first time, there will be uniform standards applying to all of south Brazil.

Average staple length of the cotton growth in south Brazil has increased over the years, and in 1970-71, between 85 and 90 percent of the crop was probably 1-1/32 inch to 1-1/16 inch in staple length. This is a little shorter than staple length of the bulk of cotton grown in the Mississippi River delta and the Far West, and a little longer than much of the cotton grown in Texas and Oklahoma.

The most important grades in south Brazil are types 6 and 6/7 which might, be compared with U.S. Southwest area Strict Low Middling Light Spotted cotton. Micronaire is somewhat lower than average U.S. values and fiber strength average about the same.

Cotton consumption. Brazil's use of cotton has scarcely risen over the last 10 years and now consumption totals 1.4 million bales, a low figure for a country of 98 million people depending primarily on cotton for textile fiber. If per capita consumption were as large as it is in the United States, total cotton consumption in Brazil would be 4.2 million bales.

The low level of consumption is attributed variously to competition from automobiles and other hard goods for the consumer's cruzeiro, short manufacturing runs and consequent high costs, rapid changes in styles, increasing competition of synthetic fibers, and high marketing markups as well as the general low purchasing power of much of the population. However, because 55 percent of the population is under the age of 19, it is almost certain that there will be strong advances in future demand for clothing.

Brazil has no national program to promote consumption of cotton in the domestic market like that in the United States. It is, however, a member of the International Institute for Cotton, as is the United States, and thus contributes substantially for promotion of cotton in Western Europe and Japan.